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THRU : Acting Special Assistant to AD/RR  
Chief, D/S  
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23 April 1956

25X1A9a

Comment on [REDACTED] Memorandum on Shipment of Rubber to China

The attached comments (Project S-61) on [REDACTED] memorandum of 25X1A9a  
23 March 1956 reflect the combined views of M/Ch, D/E, CSS, S/TF and S/TR.

[REDACTED] 25X1A9a

Distribution:

Orig. & 1 Addressee  
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1. The Office has been aware of negotiations for and the sale of Indonesian rubber to Communist China. During the first quarter of 1956 about 6,300 tons of Indonesian rubber were delivered to China. Polish vessels en route to China called in Indonesian ports and, [REDACTED] [REDACTED], loaded rubber for Gdynia, but the shipments were actually unloaded at Whampoa. A delivery of 7,000 tons in September 1955 and 6,000 tons in August 1954 are the only previously noted shipments of Indonesian rubber to Communist China.

2. The Indonesians consign these shipments to Gdynia in accordance with the terms of the Chinese orders for rubber which specify delivery to Baltic ports. The purchase by the Chinese of rubber ostensibly for delivery to the Baltic appears to be a device to enable the Indonesians to declare the shipments to those ports and thus avoid the appearance of violating controls on such shipments to China. The net advantage to China is to contribute to a further weakening of the embargo on trade with Communist China and the further development of economic relations with Indonesia. The above device, made possible by the existence of differential trade controls, permits the Indonesians, who are anxious to market their rubber wherever possible, to avoid the appearance of flagrantly violating these controls. The shipment of rubber direct to China would be in violation of Title II of the Battice Act.

3. This Office has also noted the shipment of small amounts of rubber from China to Bulgaria. Those shipments are apparently loaded at Whampoa and off-loaded and transhipped at Tuez for Black Sea ports. Since the rubber originates in Southeast Asia, shipping first to Whampoa and thence to Bulgaria involves a double shipment. However, this practice does not seem too surprising in that China, as middleman, performs a service in assembling and grading of shipments for filling of Bloc orders. The additional costs incurred by such double shipments are undoubtedly passed onto the Bloc purchasers, but there may be some advantages in purchasing from China rather than direct from the West since presumably the Bloc purchaser would not have to deplete reserves of Western exchange in payment to China.

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4. China continues to be an active middleman in the purchase and re-export of rubber from Southeast Asia to all members of the Bloc. This accounts for a level of imports calculated to be well above the estimated annual requirements for rubber in Communist China.

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